

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:

EXTRACTION OIL & GAS, INC., *et al.*,¹

Debtors.

)
) Chapter 11
)
) Case No. 20-11548 (CSS)
)
) (Jointly Administered)
) **Re: Docket Nos. 1573, 1575 & 1576**

**NOTICE OF FILING OF REVISED PROPOSED REDACTED VERSION OF REVISED
EXHIBIT C TO DEBTORS' MOTION FOR ENTRY OF AN ORDER
(I) APPROVING THE SETTLEMENT BY AND AMONG THE DEBTORS AND
PLATTE RIVER MIDSTREAM, LLC AND DJ SOUTH GATHERING, LLC, (II)
AUTHORIZING THE DEBTORS TO ENTER INTO NEW TRANSPORTATION
SERVICES AGREEMENTS WITH PLATTE RIVER MIDSTREAM, LLC
AND DJ SOUTH GATHERING, LLC, AND (III) GRANTING RELATED RELIEF**

PLEASE TAKE NOTICE that on January 4, 2021, the above-captioned debtors and debtors-in-possession (the "Debtors") filed the *Notice of Filing of Revised Exhibit C to Motion for Entry of an Order (I) Approving the Settlement By and Among the Debtors and Platte River Midstream, LLC and DJ South Gathering, LLC, (II) Authorizing the Debtors to Enter Into New Transportation Services Agreements with Platte River Midstream, LLC and DJ South Gathering, LLC, and (III) Granting Related Relief* [Sealed] [Docket No. 1573] (the "Revised Exhibit").

PLEASE TAKE NOTICE that on January 4, 2021, the Debtors also filed the *Debtors' Motion for Entry of an Order Authorizing the Debtors to (I) File Under Seal Notice of Filing of Revised Exhibit C to Debtors' Motion for Entry of an Order (I) Approving the Settlement By and*

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are: Extraction Oil & Gas, Inc. (3923); 7N, LLC (4912); 8 North, LLC (0904); Axis Exploration, LLC (8170); Extraction Finance Corp. (7117); Mountaintop Minerals, LLC (7256); Northwest Corridor Holdings, LLC (9353); Table Mountain Resources, LLC (5070); XOG Services, LLC (6915); and XTR Midstream, LLC (5624). The location of the Debtors' principal place of business is 370 17th Street, Suite 5300, Denver, Colorado 80202.



Among the Debtors and Platte River Midstream, LLC and DJ South Gathering, LLC, (II) Authorizing the Debtors to Enter Into New Transportation Services Agreements with Platte River Midstream, LLC and DJ South Gathering, LLC, and (III) Granting Related Relief [Docket No. 1575] (the “Motion to Seal”),² seeking, *inter alia*, authority to file the Revised Exhibit under seal.

PLEASE TAKE FURTHER NOTICE that on January 4, 2021, consistent with the relief requested in the Motion to Seal, and pursuant to rule 9018-1(d)(ii) of the Local Rules of Bankruptcy Practice and Procedures of the United States Bankruptcy Court for the District of Delaware (the “Bankruptcy Local Rules”), the Debtors filed a proposed redacted version of the Revised Exhibit [Docket No. 1576] (the “Proposed Redacted Version”).

PLEASE TAKE FURTHER NOTICE that subsequent to the filing of the Revised Exhibit, the Motion to Seal, and the Proposed Redacted Version, the Debtors received an informal objection from the Office of the United States Trustee (the “U.S. Trustee”) to the Motion to Seal with respect to the Proposed Redacted Version.

PLEASE TAKE FURTHER NOTICE that the Debtors hereby file a revised proposed redacted version of the Revised Exhibit (the “Revised Proposed Redacted Version”), attached hereto as **Exhibit 1**, which has been reviewed by the U.S. Trustee, and which resolves the U.S. Trustee’s informal objection to the Motion to Seal.

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² Capitalized terms not defined herein shall have the meaning ascribed to them in the Motion to Seal.

Dated: January 7, 2021
Wilmington, Delaware

/s/ Stephen B. Gerald

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³ Whiteford, Taylor & Preston LLC operates as Whiteford Taylor & Preston L.L.P. in jurisdictions outside of Delaware.

EXHIBIT 1

**PRIVILEGED AND CONFIDENTIAL SETTLEMENT COMMUNICATION
PURSUANT TO FRE 408**

Execution Version

SETTLEMENT TERM SHEET

January 4, 2021

This term sheet (this “**Term Sheet**”) sets forth certain material terms of a proposed settlement reached by and among Extraction Oil & Gas, Inc., a Delaware corporation (“**Extraction**,” and, together with each of the other debtors and debtors in possession, collectively, the “**Debtors**” or the “**Company Parties**”) in connection with *In re: Extraction Oil & Gas, Inc. et al.* (Case No. 20-11548 (CSS)) (the “**Chapter 11 Cases**”) filed in the United States Bankruptcy Court for the District of Delaware (the “**Bankruptcy Court**”), on the one hand, and Platte River Midstream, LLC, a Delaware limited partnership (the “**Platte River**”) and DJ South Gathering, LLC (“**DJ South**,” and, together with Platte River, “**ARB**”) on the other hand. Each initially capitalized term used herein, but not otherwise defined, shall have the meaning ascribed thereto in the applicable Original TSA (as defined herein).

The settlement contemplated herein shall be implemented pursuant to a Settlement Agreement (the “**Settlement Agreement**”), and other agreements and instruments ancillary thereto, as applicable, to be negotiated and agreed to among Debtors and ARB each in their sole and absolute discretion by the Debtors and ARB and that certain Midstream Settlement Term Sheet to be negotiated and agreed to among the Debtors, the Backstop Parties (as defined in that certain Revised Third Amended Joint Plan of Reorganization of Extraction Oil & Gas, Inc. and its debtor affiliates pursuant to Chapter 11 of the Bankruptcy Code), and ARB (collectively, the “**Definitive Documents**”) and is subject to approval by the Bankruptcy Court under Rule 9019 of the Federal Rules of Bankruptcy Procedure (the “**Bankruptcy Rule**”) and section 365 of title 11 of the United States Code, 11 U.S.C. §§ 101–1532, as amended from time to time (the “**Bankruptcy Code**”).

This Term Sheet has been prepared for settlement purposes only and shall not constitute an admission of liability by any party, nor be admissible in any action relating to any of the matters addressed herein. Further, nothing herein shall be an admission of fact or liability.

BACKGROUND

Extraction and DJ South are party to that certain Transportation Services Agreement, dated as of May 16, 2018, as amended by that certain TSA Amendment, dated as of September 6, 2019 (as amended, supplemented, or otherwise modified from time to time in accordance with its terms, and all agreements entered into in connection therewith, the “**DJ South TSA**”). Extraction and Platte River are party to that certain First Amended and Restated Transportation Services Agreement, dated as of April 14, 2017 as amended, supplemented, or otherwise modified from time to time in accordance with its terms, and all agreements entered into in connection therewith (the “**Platte River TSA**,” and, together with the DJ South TSA, the “**Original TSAs**”).

The Original TSAs

On June 14, 2020, each of the Debtors initiated the Chapter 11 Cases by filing voluntary petitions for relief under chapter 11 of the Bankruptcy Code.

On August 10, 2020, the Debtors filed the *Notice of Rejection of Certain Executory Contract and/or Unexpired Leases* [Docket No. 377] (the “**Rejection Notice**”), seeking authorization to reject, among others, certain of the Original TSAs pursuant to section 365 of the Bankruptcy Code.

On August 11, 2020, the Debtors filed the *Debtors’ Second Omnibus Motion for Entry of an Order (I) Authorizing Rejection of Unexpired Leases of Nonresidential Real Property and Executory Contracts Effective as of the Dates Specified Herein and (II) Granting Related Relief* [Docket No. 412] (the “**Second Rejection Motion**,” and, together with the Rejection Notice, collectively, the “**Rejection Motions**”), seeking authorization to reject, among others, the certain of the Original TSAs pursuant to section 365 of the Bankruptcy Code. ARB objection to the Second Rejection Motion and the Rejection Notice [Docket Nos. 482, 655, and 801].

On August 25, 2020, Extraction initiated an adversary proceeding against ARB in the Bankruptcy Court by filing a Complaint for Declaratory Judgement (the “**Adversary Proceeding**”).¹ The Debtors filed a motion for summary judgment [Adv. Pro. Docket No. 3] (the “**Motion for Summary Judgment**”). On October 14, 2020, the Bankruptcy Court granted the Motion for Summary Judgment [Adv. Pro. Docket No. 55]. ARB appealed the Bankruptcy Court’s ruling on the Motion for Summary Judgment [Adv. Pro. Docket No. 64].

On November 2, 2020, the Bankruptcy Court granted the Rejection Motions, authorizing the Debtors to reject the Original TSAs retroactive to the dates set forth in the Rejection Motions [Docket No. 942] (the “**Rejection Ruling**”) and, on November 10, 2020, the Bankruptcy Court entered the *Order Granting Motion to Reject Certain Executory Contracts* [Docket No. 1038] (the “**Rejection Order**”), granting the Debtors’ rejection of the Original TSAs.

On November 19, 2020, ARB filed an emergency motion in the United States District Court for the District of Delaware (the “**District Court**”) to stay the Rejection Order [Civ. Docket No. 4] (“**Motion to Stay Pending Appeal**”).² On December 7, 2020, the District Court entered an order denying the Motion to Stay Pending Appeal.

The Proofs of Claim

On August 14, 2020, Platte River and DJ South filed Proof of Claim No. 1333 and Proof of Claim No. 1342, respectively, in the Chapter 11 Cases; on November 20, 2020, Platte River and DJ South filed Proof of Claim No. 2560 and Proof of Claim No. 2561, respectively, in the Chapter 11 Cases; and on December 2, 2020, Platte River and DJ South filed Proof of Claim No. 2567 and Proof of Claim No. 2568, respectively (collectively, the “**Proofs of Claim**”)

The Proposed Settlement

The Debtors and ARB have determined that it is in their mutual best interest to settle the disputed issues raised in connection with the matters set forth in the Rejection Motions,

¹ See *Extraction Oil & Gas, Inc. v. Platte River Midstream, LLC and DJ South Gathering, LLC*, Adv. Pro. No. 20-50833 (Bankr. D. Del. Aug. 25, 2020) (CSS) [Adv. Pro. Docket No. 1].

² *Platte River Midstream, LLC, DJ South Gathering, LLC, and Platte River Holdings, LLC v. Extraction Oil and Gas, Inc.*, Civ. No. 20-1532 (CFC) (D. Del. Nov. 19, 2020).

Adversary Proceeding, and Proofs of Claim, as well as various other matters, in accordance with the terms set forth in the Term Sheet attached hereto as **Exhibit A**.

[Signature pages follow.]

IN WITNESS WHEREOF, the undersigned have executed this Term Sheet as of the date first set forth above.

DEBTORS:

EXTRACTION OIL & GAS, INC.

7N, LLC

8 NORTH, LLC

AXIS EXPLORATION, LLC

EXTRACTION FINANCE CORP.

MOUNTAIN TOP MINERALS, LLC

NORTHWEST CORRIDOR HOLDINGS, LLC

TABLE MOUNTAIN RESOURCES, LLC

XOG SERVICES, LLC

XTR MIDSTREAM, LLC

By: _____

Name: Matt Owens

Title: CEO

PLATTE RIVER:

PLATTE RIVER MIDSTREAM, LLC

By: 
Name: Dan Campbell
Title: Chief Executive Officer

DJ SOUTH:

DJ SOUTH GATHERING, LLC


By: 
Name: Dan Campbell
Title: Chief Executive Officer

Exhibit A**Settlement Term Sheet****Summary of Terms³**

Entry into, and Effectiveness of, the Definitive Documents	As soon as reasonably practicable after the execution and delivery of this Term Sheet (and, in any event, prior to January 15, 2021), the Debtors and ARB will enter into the Definitive Documents. The effective date of all terms contained in the Definitive Documents shall be February 1, 2021 (the “ Effective Date ”).
Termination of the Amended and Restated TSAs and 9019 Motion	<p>As soon as reasonably practicable after the execution and delivery of this Term Sheet, the Debtors shall file a motion with the Bankruptcy Court seeking approval of this settlement pursuant to Bankruptcy Rule 9019, termination of the Original TSAs, and approval of (i) new Transportation Services by and between Extraction and Platte River dated as of the Effective Date (the “New Platte River TSA”), and (ii) the new Transportation Services Agreement by and between Extraction and DJ South dated as of the Effective Date (the “New DJ South TSA” and collectively with the New Platte River TSA, the “New TSAs”) pursuant to section 365 of the Bankruptcy Code (the “Motion”). The Motion and the order approving the Motion (the “Settlement Order”) shall be consistent with the provisions of this Term Sheet in all respects.</p> <p>The Debtors and ARB will take all actions necessary and reasonable to pursue the Settlement Order. In the event that the Parties cannot reach agreement, each in their sole and absolute discretion, on the Definitive Documents prior to January 15, 2021, the Parties will be released from their obligations under this Term Sheet and are permitted to seek such remedies as they are entitled to at law and in equity.</p>

Other Terms

Delivery	By the earlier of (i) [REDACTED] or (ii) forty-five (45) days following receipt of written notice from Extraction, ARB will construct and install necessary facilities to enable
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³ Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to such terms in the *Revise Fifth Amended Joint Plan of Reorganization of Extraction Oil & Gas, Inc. and its Debtor Affiliates Pursuant to Chapter 11 of the Bankruptcy Code* [Docket No. 1475] (as amended, modified, or supplemented from time to time, the “**Plan**”).

	<p>the Freedom Line⁴ to flow bi-directionally (the date upon which such construction begins, the “<i>Freedom Line Commencement Date</i>”).</p> <p>Beginning upon the Freedom Line Commencement Date and at all times thereafter during the term of [REDACTED]</p> <p>[REDACTED] (the “<i>Crude Purchase Agreement</i>”) ARB will have the capability to deliver all production from the North and South Areas to at least one of the following Platteville options: [REDACTED]</p> <p>By the earlier of (i) [REDACTED], or (ii) 90 days after early termination of that certain Crude Purchase Agreement, ARB will have the capability to deliver all production from the North and South Areas to all of the following Platteville options: [REDACTED]</p> <p><i>provided, however</i>, that nothing contained in this Term Sheet or any Definitive Documents shall require ARB to (x) construct, or cause to be constructed, any facilities on property owned, leased or otherwise controlled by, the owners and/or operators of [REDACTED] (to the extent Extraction has not paid or agreed in writing to pay the costs of such construction), (y) reimburse the owners and/or operators of [REDACTED] for any facilities on property owned, leased or otherwise controlled the owners and/or operators of [REDACTED] [REDACTED] (to the extent Extraction has not paid or agreed in writing to pay such reimbursements) or (z) enter into any interconnection or similar agreements with the owners and/or operators of [REDACTED] [REDACTED] other than on terms deemed by ARB, in its reasonable discretion, to be commercially reasonable.</p>
Platte River LACT Agreement	The Platte River LACT agreement will be terminated as of the Effective Date and each of Platte River and Debtors shall forgive any and all past and future obligations thereunder in lieu of any cash settlement.
Claims	ARB shall have an Allowed Class 6 General Unsecured Claim (each as defined in the Plan) against the Debtors in the aggregate amount of [REDACTED] (the “ <i>ARB Claim</i> ”).

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[NTD: To be further defined in the Definitive Documents.]

Chapter 11 Plan	<p>ARB shall support confirmation of Extraction's chapter 11 plan of reorganization, including all exhibits, supplements, and amendments thereto (the "<i>Plan</i>"). For the avoidance of doubt, ARB shall not object to the Plan, or, if applicable, withdraw any objection to the Plan, and shall not opt out of or otherwise object to the release provisions therein.</p> <p>Upon confirmation of the Plan by the Bankruptcy Court, ARB agrees that all pending appeals and other litigation pursued by ARB against the Debtors or in connection with ARB's General Unsecured Claims shall be deemed withdrawn or otherwise settled.</p>
Backstop Commitment	ARB shall have the right to commit to purchase [REDACTED] of GUC Subscription Rights at a 35% discount to Plan Equity Value (" <u>Backstop Commitment</u> "); <i>provided, however</i> , that ARB shall not be entitled to receive any premium on account of any Backstop Commitment.
Conditions Precedent	The terms of this Term Sheet shall be dependent upon (i) entry of the Settlement Order in form and substance acceptable to the ARB, (ii) execution of the Definitive Documents, and any other mutually-agreeable conditions.

Platte River TSA	
Term of New Platte River TSA	The New Platte River TSA shall have a term of fifteen years following the Effective Date.
North Area Dedication	<p>The North Area Dedication (as more fully defined in the New Platte River TSA) shall provide for one-hundred percent (100%) of production from the following:</p> <ul style="list-style-type: none"> Existing wells connected to the gathering system of Platte River as of the Effective Date; and All future wells connected to Platte River at [REDACTED]
Release	During the term of the Crude Purchase Agreement, Extraction shall be released from the New Platte River TSA dedication with respect to all volumes delivered to [REDACTED] or its affiliates or assigns under the Crude Purchase Agreement, and Extraction will not be responsible for any fees, costs or other

	obligations under the New Platte River TSA with respect to any such volumes.
Connections	ARB will connect the [REDACTED] pads at its sole cost.
Dedication Language	The New Platte River TSA shall include language that substantially conforms (where applicable) to language in other recent midstream agreements executed by Extraction regarding covenants running with the land; <i>provided, however</i> , that such language shall ensure that all of the well pads, volumes and/or acreage dedicated under the Crude Purchase Agreement shall be dedicated to the New Platte River TSA.
New Platte River TSA Rate	<p>Prior to the fifth anniversary of the Effective Date, the transportation rate for Crude Oil transported under the New Platte River TSA shall be [REDACTED] Bbl for delivery to Lucerne or Platteville terminals, without escalation.</p> <p>After the eighth anniversary of the Effective Date, the transportation rate for Crude Oil transported under the New Platte River TSA shall be [REDACTED] Bbl for delivery to Lucerne or Platteville terminals, which rate will adjust annually after the eighth anniversary of the Effective Date based on current escalation terms, not to exceed an increase or decrease of [REDACTED] annually.</p> <p>[REDACTED]</p>
Withdrawal of FERC Regulation	Extraction will not object to, protest or otherwise obstruct, in any way, any attempt by Platte River to remove its assets and activities from the jurisdiction of the Federal Energy Regulatory Commission, except to the extent such a removal has, or is reasonably expected to have, a negative economic impact on Extraction, as determined in Extraction's reasonable discretion.

DJ South TSA	
Term of New DJ South TSA	The New DJ South TSA shall have a term of fifteen years following the Effective Date.

South Area Dedication	The South Area Dedication (as more fully defined in the New DJ South TSA) shall provide for one-hundred percent (100%) of Extraction's production from the outlet of [REDACTED]
Release	During the term of the Crude Purchase Agreement, Extraction shall be released from the New DJ South TSA dedication with respect to all volumes delivered to [REDACTED] or its affiliates or assigns under the Crude Purchase Agreement, and Extraction will not be responsible for any fees, costs or other obligations under the New DJ South TSA with respect to any such volumes.
Dedication Language	The New DJ South TSA shall include language that substantially conforms (where applicable) to language in other recent midstream agreements executed by Extraction regarding covenants running with the land; <i>provided, however</i> , that such language shall ensure that all of the well pads, volumes and/or acreage dedicated under the Crude Purchase Agreement shall be dedicated to the New DJ South TSA.
Rate	<p>The transportation rate for Crude Oil transported under the New DJ South TSA shall be [REDACTED] Bbl for delivery to Lucerne or Platteville terminals.</p> <p>During the term of the Crude Purchase Agreement, the transportation rate will not be adjusted. Thereafter, the transportation rate will adjust annually after the eighth anniversary of the Effective Date based on the FERC index, not to exceed an increase or decrease of [REDACTED] annually.</p> <p>[REDACTED]</p>
Withdrawal of FERC Regulation	Extraction will not object to, protest or otherwise obstruct, in any way, any attempt by DJ South to remove its assets and activities from the jurisdiction of the Federal Energy Regulatory Commission, except to the extent such a removal has, or is reasonably expected to have, a negative economic impact on Extraction, as determined in Extraction's reasonable discretion.